

**Testimony of
City of Detroit Budget Director Pam Scales**

**Before the
Michigan House Tax Policy Committee**

May 18, 2011 / 10:30 a.m. / 519 House Office Building / Lansing, MI 48933

Chairman Gilbert ... Distinguished members of the House Tax Policy Committee ... Good morning and thank you for the opportunity to address you on House Bills 4623 and 4624.

My name is Pam Scales. I am Budget Director for the City of Detroit. Joining me today is Kenneth Cole of GCSI, the City of Detroit's lead lobbyist at the Michigan Capitol.

On behalf of Mayor Dave Bing, the honorable Detroit City Council, and the residents of Michigan's largest city, I first want to thank Representatives David Nathan and Harvey Santana for sponsoring House Bills 4623 and 4624, respectively. **The measures simply seek to permit Detroit to continue taxing at the same rates that it is now.**

Specifically, House Bill 4623 would amend the City Income Tax Act to permit a municipality with a population of 500,000 or more to levy an individual income tax rate of 2.5 percent on residents and 1.25 percent on non-residents.

Meanwhile, House Bill 4624 would amend the City Utility Users Tax Act to permit a city with a population of 500,000 or more to tax public utility services up to 5 percent of the billing cost.

Current state law permits a city with a population of 750,000 to impose such levies. Until recently, the City of Detroit was the only Michigan municipality to meet that population threshold. According to the recent Census, however, Detroit's population today is slightly less than 750,000 – thus the need to amend several statutes, starting with these two.

Please know, though, that House Bills 4623 and 4624 only affect Detroit, which remains by far the only city with a population of 500,000 or more in Michigan. To underscore that point, consider that Detroit's population is still nearly four times that of Grand Rapids, the state's second largest municipality

To say these bills are important to Detroit is an understatement. Collectively, they would preserve an estimated \$104 million in revenue for the city - **\$50 million, of which, is statutorily earmarked for the Detroit Police Department and the hiring and retention of police officers.**

It's important to note, too, that Detroit's general fund already faces an estimated \$155 million deficit for the city's 2011-12 Fiscal Year, which starts July 1, 2011. Mayor

Bing's in-depth deficit elimination plan is dependent on the city securing permission to keep taxing at current levels. Without it, a bad situation will be made worse in Michigan's largest city.

I will not belabor the point, which is simply this: Detroit needs Lansing's help. Thank you in advance for your consideration. I appreciate your forbearance and welcome questions from committee members.